

House Study Bill 658

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
COMMERCE/INSURANCE
DIVISION BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the regulation of various industries by the
2 insurance division, including modifications related to the
3 interstate insurance product regulation compact;
4 investigations and penalties; procedures and contempt orders;
5 insurance company investments; insurance producer licensing;
6 individual health insurance programs; coverage obligations and
7 tax offsets of the Iowa comprehensive health insurance
8 association; phaseout of certain individual insurance plans;
9 coverage of federal Trade Adjustment Act recipients; penalties
10 and discipline applicable to holders of establishment and
11 sales permits for cemetery and funeral merchandise and
12 services; providing and applying penalties; and providing
13 effective dates.

14 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
15 TLSB 5319DP 80
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1 1 Section 1. Section 272C.1, subsection 6, paragraph z, Code
1 2 2003, is amended by striking the paragraph.

1 3 Sec. 2. Section 272C.3, subsection 2, paragraph a, Code
1 4 Supplement 2003, is amended to read as follows:

1 5 a. Revoke a license, or suspend a license either until
1 6 further order of the board or for a specified period, upon any
1 7 of the grounds specified in section 147.55, 148.6, 148B.7,
1 8 152.10, 153.34, 154A.24, 169.13, 455B.219, 542.10, 542B.21,
1 9 543B.29, 544A.13, 544B.15, or 602.3203 or chapter 151, or 155,
1 10 ~~507B, or 522B~~, as applicable, or upon any other grounds
1 11 specifically provided for in this chapter for revocation of
1 12 the license of a licensee subject to the jurisdiction of that
1 13 board, or upon failure of the licensee to comply with a
1 14 decision of the board imposing licensee discipline;

1 15 Sec. 3. Section 272C.4, subsection 6, Code 2003, is
1 16 amended to read as follows:

1 17 6. Define by rule acts or omissions which that are grounds
1 18 for revocation or suspension of a license under section
1 19 147.55, 148.6, 148B.7, 152.10, 153.34, 154A.24, 169.13,
1 20 455B.219, 542.10, 542B.21, 543B.29, 544A.13, 544B.15, or
1 21 602.3203 or chapter 151, or 155, ~~507B or 522B~~, as applicable,
1 22 and to define by rule acts or omissions which that constitute
1 23 negligence, careless acts, or omissions within the meaning of
1 24 section 272C.3, subsection 2, paragraph "b", which licensees
1 25 are required to report to the board pursuant to section
1 26 272C.9, subsection 2;

1 27 Sec. 4. Section 432.5, Code Supplement 2003, is amended to
1 28 read as follows:

1 29 432.5 RISK RETENTION GROUPS.

1 30 A risk retention group organized and operating pursuant to
1 31 Pub. L. No. 99=563, also known as the risk retention
1 32 amendments of 1986, shall pay as taxes to the director of
1 33 revenue an amount equal to ~~two percent the applicable percent,~~
1 34 as provided in section 432.1, subsection 4, of the gross

1 35 amount of the premiums received during the previous calendar
2 1 year for risks placed in this state. A resident or
2 2 nonresident ~~agent producer~~ shall report and pay the taxes on
2 3 the premiums for risks that the ~~agent producer~~ has placed in
2 4 this state with or on behalf of a risk retention group. The
2 5 failure of a risk retention group to pay the tax imposed in
2 6 this section shall result in the risk retention group being
2 7 considered an unauthorized insurer under chapter 507A.

2 8 Sec. 5. NEW SECTION. 505.7A CIVIL PENALTIES.

2 9 Unless specifically provided for in this subtitle,
2 10 penalties imposed under this subtitle by order of the
2 11 commissioner of insurance after hearing shall not exceed one

2 12 thousand dollars for each act or violation of this subtitle,
2 13 up to an aggregate of ten thousand dollars, unless the person
2 14 knew or reasonably should have known the person was in
2 15 violation of this subtitle, in which case the penalty shall
2 16 not exceed five thousand dollars for each act or violation, up
2 17 to an aggregate of fifty thousand dollars in any one six-month
2 18 period.

2 19 Sec. 6. Section 505A.1, article III, subsections 1 and 2,
2 20 Code Supplement 2003, are amended to read as follows:

2 21 1. The compacting states hereby create and establish ~~an~~
2 22 ~~entity a joint public agency~~ known as the interstate insurance
2 23 product regulation commission. Pursuant to article IV, the
2 24 commission has the power to develop uniform standards for
2 25 product lines, receive and provide prompt review of products
2 26 filed therewith, and give approval to those product filings
2 27 satisfying applicable uniform standards, provided it is not
2 28 intended for the commission to be the exclusive entity for
2 29 receipt and review of insurance product filings. Nothing
2 30 herein shall prohibit any insurer from filing its product in
2 31 any state wherein the insurer is licensed to conduct the
2 32 business of insurance, and any such filing shall be subject to
2 33 the laws of the state where filed.

2 34 2. The commission is a body corporate ~~comprising each and~~
2 35 ~~politic, and an instrumentality of the compacting state.~~

3 1 Sec. 7. Section 505A.1, article III, subsection 3, Code
3 2 Supplement 2003, is amended by striking the subsection.

3 3 Sec. 8. Section 505A.1, article V, subsection 1, paragraph
3 4 c, subparagraphs (3) and (4), Code Supplement 2003, are
3 5 amended to read as follows:

3 6 (3) Providing reasonable standards and procedures:

3 7 (a) For the establishment and meetings of other
3 8 committees.

3 9 (b) Governing any general or specific delegation of any
3 10 authority or function of the commission.

3 11 (4) Providing reasonable procedures for calling and
3 12 conducting meetings of the commission, ~~and that consists of a~~
3 13 ~~majority of commission members~~ ensuring reasonable advance

3 14 notice of each such meeting, and providing for the right of

3 15 citizens to attend each such meeting with enumerated

3 16 exceptions designed to protect the public's interest, the

3 17 privacy of individuals, and insurers' proprietary information,

3 18 including trade secrets. The commission may meet in camera

3 19 only after a majority of the entire membership votes to close

3 20 a meeting en toto or in part. As soon as practicable, the

3 21 commission shall make public:

3 22 (a) A copy of the vote to close the meeting, revealing the
3 23 vote of each member, with no proxy votes allowed.

3 24 (b) Votes taken during such meeting.

3 25 Sec. 9. Section 505A.1, article V, subsection 1, paragraph
3 26 c, Code Supplement 2003, is amended by adding the following
3 27 new subparagraph:

3 28 NEW SUBPARAGRAPH. (8) Promulgating a code of ethics to
3 29 address permissible and prohibited activities of commission
3 30 members and employees.

3 31 Sec. 10. Section 505A.1, article V, subsection 1, Code
3 32 Supplement 2003, is amended by adding the following new
3 33 paragraph:

3 34 NEW PARAGRAPH. d. The commission shall publish its bylaws
3 35 in a convenient form and file a copy of the bylaws, along with
4 1 any amendments, with the appropriate agency or officer in each
4 2 of the compacting states.

4 3 Sec. 11. Section 505A.1, article VII, subsection 2, Code
4 4 Supplement 2003, is amended to read as follows:

4 5 2. RULEMAKING PROCEDURE. Rules and operating procedures
4 6 shall be made pursuant to a rulemaking process that conforms
4 7 to the model state administrative procedure act of 1981 as
4 8 amended, as may be appropriate to the operations of the

4 9 commission. Before the commission adopts a uniform standard,
4 10 the commission shall give written notice to the relevant state
4 11 legislative committee or committees in each compacting state
4 12 responsible for insurance issues of its intention to adopt the
4 13 uniform standard. The commission, in adopting a uniform
4 14 standard, shall consider fully all submitted materials and
4 15 issue a concise explanation of its decision.

4 16 Sec. 12. Section 505A.1, article VIII, subsection 1, Code
4 17 Supplement 2003, is amended to read as follows:

4 18 1. The commission shall promulgate rules ~~to establish~~
4 19 establishing conditions and procedures ~~under which the~~
4 20 ~~commission shall make its information and official records~~
4 21 available to the public for inspection or copying for public
4 22 inspection and copying of its information and official

4 23 records, except such information and records involving the
4 24 privacy of individuals and insurers' trade secrets. The
4 25 commission may promulgate additional rules under which it may
4 26 make available to federal and state agencies, including law
4 27 enforcement agencies, records, and information otherwise
4 28 exempt from disclosure, and may enter into agreements with
4 29 such agencies to receive or exchange information or records
4 30 subject to nondisclosure and confidentiality provisions.

4 31 Sec. 13. Section 505A.1, article VIII, subsection 4,
4 32 paragraphs a and b, Code Supplement 2003, are amended to read
4 33 as follows:

4 34 a. With respect to the commissioner's market regulation of
4 35 a product or advertisement that is approved or certified to
5 1 the commission, ~~no activity of an insurer the content of the~~
5 2 ~~product or advertisement shall not constitute a violation of~~
5 3 the provisions, standards, or requirements of this compact
5 4 except upon a final order of the commission, issued at the
5 5 request of a commissioner after prior notice to the insurer
5 6 and an opportunity for hearing before the commission.

5 7 b. Before a commissioner may bring an action for violation
5 8 of any provision, standard, or requirement of this compact
5 9 relating to the ~~use content~~ of an advertisement not approved
5 10 or certified to the commission, the commission, or an
5 11 authorized commission officer or employee, must authorize the
5 12 action. However, authorization pursuant to this paragraph
5 13 does not require notice to the insurer, opportunity for
5 14 hearing, or disclosure of requests for authorization or
5 15 records of the commission's action on such requests.

5 16 Sec. 14. Section 505A.1, article XI, subsection 1, Code
5 17 Supplement 2003, is amended to read as follows:

5 18 1. Not later than thirty days after the commission has
5 19 given notice of a disapproved product or advertisement filed
5 20 with the commission, the insurer or third-party filer whose
5 21 filing was disapproved may appeal the determination to a
5 22 review panel appointed by the commission. The commission
5 23 shall adopt rules to establish procedures for appointing such
5 24 review panels and provide for notice and hearing. ~~The~~
5 25 ~~decision of the review panel shall be the final action of the~~
5 26 ~~commission and not subject to review by any court.~~

5 27 ~~Notwithstanding the foregoing, an An~~ allegation that the
5 28 commission, in disapproving a product or advertisement filed
5 29 with the commission, acted arbitrarily, capriciously, or in a
5 30 manner that is an abuse of discretion or otherwise not in
5 31 accordance with the law, is subject to judicial review in
5 32 accordance with article III, section 5.

5 33 Sec. 15. Section 505A.1, article XII, subsection 6, Code
5 34 Supplement 2003, is amended to read as follows:

5 35 6. The commission shall keep complete and accurate
6 1 accounts of all its internal receipts, including grants and
6 2 donations, and disbursements of all funds under its control.
6 3 The internal financial accounts of the commission shall be
6 4 subject to the accounting procedures established under its
6 5 bylaws. The financial accounts and reports, including the
6 6 system of internal controls and procedures of the commission,
6 7 shall be audited annually by an independent certified public
6 8 accountant. Upon the determination of the commission, but no
6 9 less frequently than every three years, the review of the
6 10 independent auditor shall include a management and performance
6 11 audit of the commission. The commission shall make an annual
6 12 report to the governor and legislature of the compacting
6 13 states, which shall include a report of the independent audit.
6 14 The commission's internal accounts, ~~any work papers related to~~
6 15 ~~any internal audit, and any work papers related to the~~
6 16 ~~independent audit, shall not be confidential, provided that~~
6 17 ~~and such materials may be shared with the commissioner of any~~
6 18 ~~compacting state and shall remain confidential pursuant to~~
6 19 ~~article VII upon request; provided, however, that any work~~
6 20 ~~papers related to any internal or independent audit and any~~
6 21 ~~information regarding the privacy of the individuals and~~
6 22 ~~insurers' proprietary information, including trade secrets,~~
6 23 ~~shall remain confidential.~~

6 24 Sec. 16. Section 505A.1, article XVI, subsection 1,
6 25 paragraph b, Code Supplement 2003, is amended to read as
6 26 follows:

6 27 b. For any product approved or certified to the
6 28 commission, the rules, uniform standards, and any other
6 29 requirements of the commission shall constitute the exclusive
6 30 provisions applicable to the content, approval, and
6 31 certification of such products. For advertisement that is
6 32 subject to the commission's authority, any rule, uniform
6 33 standard, or other requirement of the commission which governs

6 34 the content of the advertisement shall constitute the
6 35 exclusive provision that a commissioner may apply to the
7 1 content of the advertisement. Notwithstanding the foregoing,
7 2 action taken by the commission shall not abrogate or restrict:

7 3 (1) ~~The access of any person, including the attorney~~
7 4 ~~general, to state courts.~~

7 5 (2) Remedies available under state law related to breach
7 6 of contract, tort, general consumer protection laws, or
7 7 general consumer protection regulations that apply to the sale
7 8 or advertisement of the product or other laws not specifically
7 9 directed to the content of the product.

7 10 (3) State law relating to the construction of insurance
7 11 contracts.

7 12 ~~(4) The authority of the attorney general of the state,~~
7 13 ~~including but not limited to maintaining any actions or~~
7 14 ~~proceedings, as authorized by law.~~

7 15 Sec. 17. Section 507.14, Code 2003, is amended by adding
7 16 the following new unnumbered paragraph:

7 17 NEW UNNUMBERED PARAGRAPH. Analysis notes, work papers, or
7 18 other documents related to the analysis of an insurer are not
7 19 public records under chapter 22.

7 20 Sec. 18. Section 507.16, Code 2003, is amended to read as
7 21 follows:

7 22 507.16 UNLAWFUL SOLICITATION OF BUSINESS.

7 23 ~~Any It shall be unlawful for any~~ officer, manager, agent,
7 24 or representative of any insurance company contemplated by
7 25 this chapter, who, with knowledge that its certificate of
7 26 authority has been suspended or revoked, or that it is
7 27 insolvent, or is doing an unlawful or unauthorized business,
7 28 ~~solicits to solicit or receive applications for insurance for~~
7 29 ~~said the company, or receives applications therefor, or does~~
7 30 ~~to do any other act or thing toward receiving or procuring any~~
7 31 ~~new business for said the company, shall be deemed guilty of a~~
7 32 ~~serious misdemeanor, and the.~~ The provisions of sections
7 33 511.16 and 511.17 are hereby extended to all companies
7 34 contemplated by this chapter.

7 35 Sec. 19. Section 507A.10, Code 2003, is amended to read as
8 1 follows:

8 2 507A.10 CEASE AND DESIST ~~ORDER ORDERS~~ == CIVIL ~~PENALTY AND~~
8 3 ~~CRIMINAL PENALTIES.~~

8 4 1. Upon a determination by the commissioner, after a
8 5 hearing conducted pursuant to chapter 17A, that a person or
8 6 insurer has violated a provision of this chapter, the
8 7 commissioner shall reduce the findings of the hearing to
8 8 writing and deliver a copy of the findings to the person or
8 9 insurer, may issue an order requiring the person or insurer to
8 10 cease and desist from engaging in the conduct resulting in the
8 11 violation, and may assess a civil penalty of not more than
8 12 fifty thousand dollars against the person or insurer.

8 13 2. a. ~~Upon a determination by the commissioner that a~~
8 14 ~~person or insurer has engaged, is engaging, or is about to~~
8 15 ~~engage in any act or practice constituting a violation of this~~
8 16 ~~chapter or a rule adopted or order issued under this chapter,~~
8 17 ~~the commissioner may issue a summary order directing the~~
8 18 ~~person or insurer to cease and desist from engaging in the act~~
8 19 ~~or practice or to take other affirmative action as is in the~~
8 20 ~~judgment of the commissioner necessary to comply with the~~
8 21 ~~requirements of this chapter.~~

8 22 b. ~~A person to whom a summary order has been issued under~~
8 23 ~~this subsection may contest the order by filing a request for~~
8 24 ~~a contested case proceeding and hearing as provided in chapter~~
8 25 ~~17A and in accordance with rules adopted by the commissioner.~~
8 26 ~~However, the person shall have at least thirty days from the~~
8 27 ~~date that the order is issued in order to file the request.~~
8 28 ~~Section 17A.18A is inapplicable to a summary order issued~~
8 29 ~~under this subsection. If a hearing is not timely requested,~~
8 30 ~~the summary order becomes final by operation of law. The~~
8 31 ~~order shall remain effective from the date of issuance until~~
8 32 ~~the date the order becomes final by operation of law or is~~
8 33 ~~overturned by a presiding officer or court following a request~~
8 34 ~~for hearing.~~

8 35 c. ~~A person or insurer violating a summary order issued~~
9 1 ~~under this subsection shall be deemed in contempt of that~~
9 2 ~~order. The commissioner may petition the district court to~~
9 3 ~~enforce the order as certified by the commissioner. The~~
9 4 ~~district court shall find the person in contempt of the order~~
9 5 ~~if the court finds after hearing that the person or insurer is~~
9 6 ~~not in compliance with the order. The court may assess a~~
9 7 ~~civil penalty against the person or insurer and may issue~~
9 8 ~~further orders as it deems appropriate.~~

9 9 3. ~~A person acting as an insurance producer, as defined in~~

9 10 chapter 522B, without proper licensure, or an insurer who
9 11 willfully violates any provision of this chapter, or any rule
9 12 adopted or order issued under this chapter, is guilty of a
9 13 class "D" felony.

9 14 4. A person acting as an insurance producer, as defined in
9 15 chapter 522B, without proper licensure, or an insurer who
9 16 willfully violates any provision of this chapter, or any rule
9 17 adopted or order issued under this chapter, and when such
9 18 violation results in a loss of more than ten thousand dollars,
9 19 is guilty of a class "C" felony.

9 20 5. The commissioner may refer such evidence as is
9 21 available concerning violations of this chapter or of any rule
9 22 adopted or order issued under this chapter, or of the failure
9 23 of a person to comply with the licensing requirements of
9 24 chapter 522B, to the attorney general or the proper county
9 25 attorney who may, with or without such reference, institute
9 26 the appropriate criminal proceedings under this chapter.

9 27 6. This chapter does not limit the power of the state to
9 28 punish any person for any conduct that constitutes a crime
9 29 under any other statute.

9 30 Sec. 20. Section 507B.2, subsection 1, Code 2003, is
9 31 amended to read as follows:

9 32 1. "Person" shall mean any individual, corporation,
9 33 association, partnership, reciprocal exchange, interinsurer,
9 34 fraternal beneficiary association, and any other legal entity
9 35 engaged in the business of insurance, including ~~agents,~~
10 1 ~~brokers insurance producers~~ and adjusters. "Person" shall
10 2 also mean any corporation operating under the provisions of
10 3 chapter 514 and any benevolent association as defined and
10 4 operated under chapter 512A. For purposes of this chapter,
10 5 corporations operating under the provisions of chapter 514 and
10 6 chapter 512A shall be deemed to be engaged in the business of
10 7 insurance.

10 8 Sec. 21. Section 507B.3, Code Supplement 2003, is amended
10 9 by adding the following new subsection:

10 10 NEW SUBSECTION. 3. Information obtained by the
10 11 commissioner in the course of investigating a consumer
10 12 complaint may, in the discretion of the commissioner, be
10 13 provided to the insurance company or insurance producer which
10 14 is the subject of the complaint or to the consumer who filed
10 15 the complaint or the individual insured who is the subject of
10 16 the complaint without waiving the confidentiality afforded by
10 17 this section to the commissioner or other persons.

10 18 Sec. 22. NEW SECTION. 507B.5A INVESTIGATIONS.
10 19 Prior to the commencement of a contested case, the
10 20 commissioner may subpoena books, papers, records, and any
10 21 other evidence necessary for the commissioner to determine
10 22 whether a contested case proceeding should be instituted. The
10 23 commissioner shall not be required to pay the costs of
10 24 production of the subpoenaed documents or records.

10 25 Sec. 23. Section 507B.6, subsection 5, Code 2003, is
10 26 amended to read as follows:

10 27 5. Statements of charges, notices, orders, subpoenas, and
10 28 other processes of the commissioner under this chapter may be
10 29 served by anyone ~~duly~~ authorized by the commissioner, either
10 30 in the manner provided by law for service of process in civil
10 31 actions, or by mailing a copy ~~thereof~~ by restricted certified
10 32 mail to the person affected by ~~such the~~ statement, notice,
10 33 order, subpoena, or other process at the person's residence or
10 34 principal office or place of business. The verified return by
10 35 the person ~~so~~ serving ~~such the~~ statement, notice, order,
11 1 subpoena, or other process, setting forth the manner of such
11 2 service, shall be proof of ~~the same service~~, and the return
11 3 receipt for ~~such the~~ statement, notice, order, subpoena, or
11 4 other process, ~~and~~ mailed by restricted certified mail ~~as~~
11 5 ~~aforsaid~~, shall be proof of the service of ~~the same~~.

11 6 Sec. 24. NEW SECTION. 507B.6A SUMMARY CEASE AND DESIST
11 7 ORDERS.

11 8 1. Upon a determination by the commissioner that a person
11 9 or insurer has engaged, is engaging, or is about to engage in
11 10 any act or practice constituting a violation of this chapter
11 11 or a rule adopted or order issued under this chapter, the
11 12 commissioner may issue a summary order directing the person or
11 13 insurer to cease and desist from engaging in the act or
11 14 practice or to take other affirmative action as is in the
11 15 judgment of the commissioner necessary to comply with the
11 16 requirements of this chapter.

11 17 2. A person who has been issued a summary order under this
11 18 section may contest the order by filing a request for a
11 19 contested case proceeding and hearing as provided in chapter
11 20 17A and in accordance with the rules adopted by the

11 21 commissioner. However, the person shall have at least thirty
11 22 days from the date that the order is issued in order to file
11 23 the request. Section 17A.18A is inapplicable to a summary
11 24 order issued under this section. The order shall remain
11 25 effective from the date of issuance unless overturned by a
11 26 presiding officer or court following a request for hearing.
11 27 If a hearing is not timely requested, the summary order
11 28 becomes final by operation of law.

11 29 3. A person or insurer violating a summary order issued
11 30 under this section shall be deemed in contempt of that order.
11 31 The commissioner may petition the district court to enforce
11 32 the order as certified by the commissioner. The district
11 33 court shall adjudge the person in contempt of the order if the
11 34 court finds after hearing that the person or insurer is not in
11 35 compliance with the order. The court may assess a civil
12 1 penalty against the person or insurer and may issue further
12 2 orders as it deems appropriate.

12 3 Sec. 25. Section 507B.7, Code 2003, is amended to read as
12 4 follows:

12 5 507B.7 CEASE AND DESIST ORDERS AND ~~MODIFICATIONS THEREOF~~
12 6 PENALTIES.

12 7 1. If, after ~~such~~ hearing, the commissioner determines
12 8 that ~~the a~~ person ~~charged~~ has engaged in an unfair method of
12 9 competition or an unfair or deceptive act or practice, the
12 10 commissioner shall reduce the findings to writing and shall
12 11 issue and cause to be served upon the person charged with the
12 12 violation a copy of such findings, an order requiring such
12 13 person to cease and desist from engaging in such method of
12 14 competition, act, or practice, and ~~if the act or practice is a~~
12 15 ~~violation of section 507B.4, 507B.4A, or 507B.5, the~~
12 16 commissioner may at the commissioner's discretion order any
12 17 one or more of the following:

12 18 a. Payment of a civil penalty of not more than one
12 19 thousand dollars for each act or violation of this subtitle,
12 20 but not to exceed an aggregate of ten thousand dollars, unless
12 21 the person knew or reasonably should have known the person was
12 22 in violation of ~~section 507B.4, 507B.4A, or 507B.5~~ this
12 23 subtitle, in which case the penalty shall be not more than
12 24 five thousand dollars for each act or violation, but not to
12 25 exceed an aggregate penalty of fifty thousand dollars in any
12 26 one six-month period. If the commissioner finds that a
12 27 violation of ~~section 507B.4, 507B.4A, or 507B.5~~ this subtitle
12 28 was directed, encouraged, condoned, ignored, or ratified by
12 29 the employer of the person or by an insurer, the commissioner
12 30 shall also assess a fine to the employer or insurer.

12 31 b. Suspension or revocation of the license of a person as
12 32 defined in section 507B.2, subsection 1, if the person knew or
12 33 reasonably should have known the person was in violation of
12 34 ~~section 507B.4, 507B.4A, or 507B.5~~ this subtitle.

12 35 c. Payment of interest at the rate of ten percent per
13 1 annum if the commissioner finds that the insurer failed to pay
13 2 interest as required under section 507B.4, subsection 12.

13 3 2. Until the expiration of the time allowed under section
13 4 507B.8 for filing a petition for review if no such petition
13 5 has been duly filed within such time, or, if a petition for
13 6 review has been filed within such time, then until the
13 7 transcript of the record in the proceeding has been filed in
13 8 the district court, as hereinafter provided, the commissioner
13 9 may at any time, upon such notice and in such manner as the
13 10 commissioner may deem proper, modify or set aside in whole or
13 11 in part any order issued by the commissioner under this
13 12 section.

13 13 3. After the expiration of the time allowed for filing
13 14 such a petition for review if no such petition has been duly
13 15 filed within such time, the commissioner may at any time,
13 16 after notice and opportunity for hearing, reopen and alter,
13 17 modify, or set aside, in whole or in part, any order issued by
13 18 the commissioner under this section, whenever in the
13 19 commissioner's opinion conditions of fact or of law have so
13 20 changed as to require such action, or if the public interest
13 21 shall so require.

13 22 4. Any person who violates a cease and desist order of the
13 23 commissioner, and while such order is in effect, may, after
13 24 notice and hearing and upon order of the commissioner, be
13 25 subject at the discretion of the commissioner to any one or
13 26 more of the following:

13 27 a. A monetary penalty of not more than ten thousand
13 28 dollars for each and every act or violation.

13 29 b. Suspension or revocation of such person's license.

13 30 Sec. 26. Section 507C.6, subsection 4, Code 2003, is
13 31 amended by striking the subsection and inserting in lieu

13 32 thereof the following:

13 33 4. It shall be unlawful for a person as defined in
13 34 subsection 1 to fail to cooperate with the commissioner, or to
13 35 obstruct or interfere with the commissioner in the conduct of
14 1 a delinquency proceeding or an investigation preliminary or
14 2 incidental to a delinquency proceeding, or to violate a valid
14 3 order of the commissioner.

14 4 Sec. 27. Section 507C.11, unnumbered paragraph 1, Code
14 5 2003, is amended to read as follows:

14 6 Notwithstanding chapter 22, in all administrative
14 7 proceedings pursuant to sections 507C.9 and 507C.10 all
14 8 orders, records, and documents pertaining to or a part of the
14 9 record of the proceedings are confidential except as is
14 10 necessary to obtain compliance with a proceeding. However,
14 11 the records may be released if either of the following occurs:

14 12 Sec. 28. Section 509.18, Code 2003, is amended to read as
14 13 follows:

14 14 509.18 PROHIBITED DEPOSIT IN FINANCIAL INSTITUTION.

14 15 A company or its agent licensed to sell a policy of credit
14 16 life or credit accident and health insurance or certificate
14 17 under a policy of group credit life or credit accident and
14 18 health insurance shall not deposit or offer to deposit funds
14 19 in a financial institution of this state in exchange for the
14 20 privilege of selling such insurance to or on behalf of the
14 21 financial institution. ~~Any person violating the provisions of~~
14 22 ~~this section shall be guilty of a simple misdemeanor.~~

14 23 Sec. 29. Section 511.8, subsection 1, Code Supplement
14 24 2003, is amended to read as follows:

14 25 1. UNITED STATES GOVERNMENT OBLIGATIONS.

14 26 a. Bonds or other evidences of indebtedness issued,
14 27 assumed, or guaranteed by the United States of America, or by
14 28 any agency or instrumentality ~~thereof~~ of the United States of
14 29 America.

14 30 b. Bonds or other evidences of indebtedness issued,
14 31 assumed, or guaranteed by the United States of America, or by
14 32 any agency or instrumentality of the United States of America
14 33 include investments in an open-end management investment
14 34 company registered with the federal securities and exchange
14 35 commission under the federal Investment Company Act of 1940,
15 1 15 U.S.C. } 80(a), and operated in accordance with 17 C.F.R. }
15 2 270.2a-7, the portfolio of which is limited to the United
15 3 States government obligations described in paragraph "a", and
15 4 which are included in the national association of insurance
15 5 commissioners' securities valuation office's United States
15 6 direct obligations=full faith and credit exempt list.

15 7 Sec. 30. Section 511.8, subsection 19, unnumbered
15 8 paragraph 1, Code Supplement 2003, is amended to read as
15 9 follows:

15 10 Bonds or other evidences of indebtedness, not to include
15 11 currency, issued, assumed, or guaranteed by a foreign
15 12 government other than Canada, or by a corporation incorporated
15 13 under the laws of a foreign government other than Canada.

15 14 Such governmental obligations must be valid, legally
15 15 authorized and issued, and on the date of acquisition have
15 16 predominantly investment qualities and characteristics as
15 17 provided by rule. Such corporate obligations must meet the
15 18 qualifications established in subsection 5 for bonds and other
15 19 evidences of indebtedness issued, assumed, or guaranteed by a
15 20 corporation incorporated under the laws of the United States
15 21 or Canada. Foreign investments authorized by this subsection
15 22 are not eligible in excess of ~~ten~~ twenty percent of the legal
15 23 reserve of the life insurance company or association.

15 24 Investments in obligations of a foreign government, other than
15 25 Canada and the United Kingdom, are not eligible in excess of
15 26 two percent of the legal reserve in the securities of foreign
15 27 governments of any one foreign nation. Investments in
15 28 obligations of the United Kingdom are not eligible in excess
15 29 of four percent of the legal reserve. Investments in a

15 30 corporation incorporated under the laws of a foreign
15 31 government other than Canada are not eligible in excess of two
15 32 percent of the legal reserve in the securities of any one
15 33 foreign corporation.

15 34 Sec. 31. Section 511.8, subsection 22, paragraph e, Code
15 35 Supplement 2003, is amended to read as follows:

16 1 e. Investments in financial instruments of foreign
16 2 governments or foreign corporate obligations, other than
16 3 Canada, used in hedging transactions are not eligible in
16 4 excess of ~~ten~~ twenty percent of the legal reserve, less any
16 5 foreign investment authorized by subsection 19 owned by the
16 6 company or association and in which its legal reserve is
16 7 invested, except insofar as the financial instruments are

16 8 collateralized by cash or United States government obligations
16 9 as authorized by subsection 1 deposited with a custodian bank
16 10 as defined in subsection 21, and held under a written
16 11 agreement with the custodian bank that complies with
16 12 subsection 21 and provides for the proceeds of the collateral,
16 13 subject to the terms and conditions of the applicable
16 14 collateral or other credit support agreement, to be remitted
16 15 to the legal reserve deposit of the company or association and
16 16 to vest in the state in accordance with section 508.18
16 17 whenever proceedings under that section are instituted.

16 18 Sec. 32. Section 511.8, Code Supplement 2003, is amended
16 19 by adding the following new subsection:

16 20 NEW SUBSECTION. 23. SECURITY LOANS.

16 21 a. A life insurance company or association may loan
16 22 securities held by it in its legal reserve to a broker-dealer
16 23 registered under the Securities Exchange Act of 1934, a
16 24 national bank, or a state bank, foreign bank, or trust company
16 25 that is a member of the United States federal reserve system,
16 26 and the loaned securities shall continue to be eligible for
16 27 inclusion in the legal reserve of the life insurance company
16 28 or association.

16 29 b. The loan shall be fully collateralized by cash, cash
16 30 equivalents, or obligations issued or guaranteed by the United
16 31 States or an agency or instrumentality of the United States.
16 32 The life insurance company or association shall take delivery
16 33 of the collateral either directly or through an authorized
16 34 custodian.

16 35 c. If the loan is collateralized by cash or cash
17 1 equivalents, the cash or cash equivalent collateral may be
17 2 reinvested by the life insurance company or association in
17 3 either individual securities which are eligible for inclusion
17 4 in the legal reserve of the life insurance company or
17 5 association or in repurchase agreements fully collateralized
17 6 by such securities if the life insurance company or
17 7 association takes delivery of the collateral either directly
17 8 or through an authorized custodian or pooled fund comprised of
17 9 individual securities which are eligible for inclusion in the
17 10 legal reserve of the life insurance company or association.
17 11 If such reinvestment is made in individual securities or in
17 12 repurchase agreements, the individual securities or the
17 13 securities which collateralize the repurchase agreements shall
17 14 mature in less than two hundred seventy days. If such
17 15 reinvestment is made in a pooled fund, the average maturity of
17 16 the securities comprising such pooled fund must be less than
17 17 two hundred seventy days. Individual securities and
17 18 securities comprising the pooled fund shall be investment
17 19 grade.

17 20 d. The loan shall be evidenced by a written agreement
17 21 which provides all of the following:

17 22 (1) That the loan will be fully collateralized at all
17 23 times during the term of the loan, and that the collateral
17 24 will be adjusted as necessary each business day during the
17 25 term of the loan to maintain the required collateralization in
17 26 the event of market value changes in the loaned securities or
17 27 collateral.

17 28 (2) If the loan is fully collateralized by cash or cash
17 29 equivalents, the cash or cash equivalent may be reinvested by
17 30 the life insurance company or association as provided in
17 31 paragraph "c".

17 32 (3) That the loan may be terminated by the life insurance
17 33 company or association at any time, and that the borrower
17 34 shall return the loaned stocks or obligations or equivalent
17 35 stocks or obligations within five business days after
18 1 termination.

18 2 (4) That the life insurance company or association has the
18 3 right to retain the collateral or use the collateral to
18 4 purchase investments equivalent to the loaned securities if
18 5 the borrower defaults under the terms of the agreement, and
18 6 that the borrower remains liable for any losses and expenses
18 7 incurred by the life insurance company or association due to
18 8 default that are not covered by the collateral.

18 9 e. Securities loaned pursuant to this subsection are not
18 10 eligible for inclusion in the legal reserve of the life
18 11 insurance company or association in excess of twenty percent
18 12 of the legal reserve.

18 13 Sec. 33. Section 511.16, Code 2003, is amended to read as
18 14 follows:

18 15 511.16 ILLEGAL BUSINESS.

18 16 ~~Any~~ It shall be unlawful for any officer, manager, or agent
18 17 of any life insurance company or association ~~who~~, with
18 18 knowledge that it is doing business in an unlawful manner or

18 19 is insolvent, ~~solicits to solicit or receive applications for~~
18 20 insurance with ~~said the~~ company or association, ~~or receives~~
~~18 21 applications therefor, or does to do any other act or thing~~
18 22 ~~towards~~ toward procuring or receiving any new business for
18 23 ~~such the~~ company or association, ~~shall be guilty of an~~
18 24 ~~aggravated misdemeanor.~~

18 25 Sec. 34. Section 512A.8, Code 2003, is amended to read as
18 26 follows:

18 27 512A.8 ~~PENALTIES VIOLATION.~~

18 28 Except as otherwise provided by law, it shall be unlawful
18 29 for any person or corporation to operate a benevolent
18 30 association in this state except as provided for in this
18 31 chapter. ~~Any person violating the provisions of this chapter~~
18 32 ~~shall be guilty of a serious misdemeanor.~~

18 33 Sec. 35. Section 512B.35, Code 2003, is amended to read as
18 34 follows:

18 35 512B.35 ~~PENALTIES FALSE OR FRAUDULENT STATEMENTS.~~

19 1 1. ~~A person who~~ It shall be unlawful for a person
19 2 knowingly ~~makes to make~~ a false or fraudulent statement or
19 3 representation in or relating to an application for membership
19 4 or for the purpose of obtaining money from or a benefit in a
19 5 society, ~~is guilty of a fraudulent practice.~~

19 6 2. ~~A person who willfully makes~~ It shall be unlawful for a
19 7 person to willfully make a false or fraudulent statement in a
19 8 verified report or declaration under oath required or
19 9 authorized by this chapter, or of a material fact or thing
19 10 contained in a sworn statement concerning the death or
19 11 disability of an insured for the purpose of procuring payment
19 12 of a benefit named in the certificate, ~~is guilty of perjury.~~

19 13 3. ~~A person who solicits~~ It shall be unlawful for a person
19 14 to solicit membership for, or in any manner ~~assists to assist~~
19 15 in procuring membership in, a society not licensed to do
19 16 business in this state, ~~is guilty of a serious misdemeanor.~~

19 17 4. ~~A person guilty of a willful violation of, or neglect~~
19 18 ~~or refusal to comply with, a provision of this chapter for~~
19 19 ~~which a penalty is not otherwise prescribed, is guilty of a~~
19 20 ~~simple misdemeanor.~~

19 21 Sec. 36. Section 513C.3, subsection 15, Code Supplement
19 22 2003, is amended by adding the following new unnumbered
19 23 paragraph:

19 24 NEW UNNUMBERED PARAGRAPH. For purposes of this subsection,
19 25 an association policy under chapter 514E is not considered
19 26 "qualifying existing coverage" or "qualifying previous
19 27 coverage".

19 28 Sec. 37. Section 513C.7, subsections 1, 2, and 5, Code
19 29 Supplement 2003, are amended by striking the subsections.

19 30 Sec. 38. Section 513C.8, Code 2003, is amended to read as
19 31 follows:

19 32 513C.8 ~~HEALTH BENEFIT PLAN STANDARDS.~~

19 33 ~~The commissioner board of directors of the Iowa~~
19 34 ~~comprehensive health insurance association shall adopt by rule~~
19 35 the form and level of coverage of the basic health benefit
20 1 plan and the standard health benefit plan for the guaranteed
20 2 individual market which shall provide benefits substantially
20 3 similar to those as provided for under chapter 513B with
20 4 respect to small group coverage, ~~but which shall be~~
20 5 ~~appropriately adjusted at least every three years to reflect~~
20 6 the current state of the individual market.

20 7 Sec. 39. Section 513C.10, subsection 1, paragraph a, Code
20 8 Supplement 2003, is amended to read as follows:

20 9 a. All persons that provide health benefit plans in this
20 10 state including insurers providing accident and sickness
20 11 insurance under chapter 509, 514, or 514A, whether on an
20 12 individual or group basis; fraternal benefit societies
20 13 providing hospital, medical, or nursing benefits under chapter
20 14 512B; and health maintenance organizations, organized delivery
20 15 systems, ~~and all~~ other entities providing health insurance or
20 16 health benefits subject to state insurance regulation, ~~and all~~
20 17 ~~other insurers as designated by the board of directors of the~~
20 18 ~~Iowa comprehensive health insurance association with the~~
20 19 ~~approval of the commissioner shall be members of the~~
20 20 association.

20 21 Sec. 40. Section 513C.10, subsection 4, Code Supplement
20 22 2003, is amended to read as follows:

20 23 4. The board shall develop procedures and assessment
20 24 mechanisms and make assessments and distributions as required
20 25 to equalize the individual carrier and organized delivery
20 26 system gains or losses so that each carrier or organized
20 27 delivery system receives the same ratio of paid claims to
20 28 ninety percent of earned premiums as the aggregate of all
20 29 basic and standard plans insured by all carriers and organized

20 30 delivery systems in the state.

20 31 Sec. 41. Section 514E.1, subsection 2, Code Supplement

20 32 2003, is amended to read as follows:

20 33 2. "Association policy" means an individual or group

20 34 policy issued by the association that provides the coverage

20 35 ~~specified in section 514E.4 as set forth in the benefit plans~~

21 1 ~~adopted by the association's board of directors and approved~~

21 2 ~~by the commissioner.~~

21 3 Sec. 42. Section 514E.1, subsections 7, 8, 12, and 22,

21 4 Code Supplement 2003, are amended by striking the subsections.

21 5 Sec. 43. Section 514E.1, subsection 13, Code Supplement

21 6 2003, is amended to read as follows:

21 7 13. "Health care services" means services, the coverage of

21 8 which is authorized under chapter 509, chapter 514, chapter

21 9 514A, or chapter 514B as ~~limited by sections 514E.4 and 514E.5~~

21 10 ~~established by the association's board of directors, and~~

21 11 includes services for the purposes of preventing, alleviating,

21 12 curing, or healing human illness, injury or physical

21 13 disability.

21 14 Sec. 44. Section 514E.2, subsection 1, unnumbered

21 15 paragraph 1, Code Supplement 2003, is amended to read as

21 16 follows:

21 17 The Iowa comprehensive health insurance association is

21 18 established as a nonprofit corporation. The association shall

21 19 assure that health insurance, as ~~limited by sections 514E.4~~

21 20 ~~and 514E.5, established by the association's board of~~

21 21 ~~directors and subject to the approval of the commissioner, is~~

21 22 ~~made available to each eligible Iowa resident, and each~~

21 23 ~~federally eligible individual applying to the association for~~

21 24 ~~coverage, and each individual who has been confirmed eligible~~

21 25 ~~under the federal Trade Adjustment Act of 2002, Pub. L. No.~~

21 26 ~~107=210, as a recipient under that Act by the department of~~

21 27 ~~workforce development and the federal internal revenue~~

21 28 ~~service.~~ The association shall also be responsible for

21 29 administering the Iowa individual health benefit reinsurance

21 30 association pursuant to all of the terms and conditions

21 31 contained in chapter 513C.

21 32 Sec. 45. Section 514E.2, subsection 1, paragraph a, Code

21 33 Supplement 2003, is amended to read as follows:

21 34 a. All carriers ~~as defined in section 514E.1, subsection~~

21 35 ~~3,~~ and all organized delivery systems licensed by the director

22 1 of public health providing health insurance or health care

22 2 services in Iowa ~~and all other insurers designated by the~~

22 3 ~~association's board of directors and approved by the~~

22 4 ~~commissioner shall be members of the association.~~

22 5 Sec. 46. Section 514E.2, subsection 6, Code Supplement

22 6 2003, is amended by striking the subsection and inserting in

22 7 lieu thereof the following:

22 8 6. Rates for coverages issued by the association shall

22 9 reflect rating characteristics used in the individual

22 10 insurance market. The rates for a given classification shall

22 11 not be more than one hundred fifty percent of the average

22 12 premium or payment rate for the classification charged by the

22 13 five carriers with the largest health insurance premium or

22 14 payment volume in the state during the preceding calendar

22 15 year. In determining the average rate of the five largest

22 16 carriers, the rates or payments charged by the carriers shall

22 17 be actuarially adjusted to determine the rate or payment that

22 18 would have been charged for benefits similar to those issued

22 19 by the association.

22 20 Sec. 47. Section 514E.2, subsection 13, Code Supplement

22 21 2003, is amended by striking the subsection and inserting in

22 22 lieu thereof the following:

22 23 13. An insurer may offset an assessment made pursuant to

22 24 this chapter against its premium tax liability pursuant to

22 25 chapter 432 to the extent of twenty percent of the amount of

22 26 the assessment for each of the five calendar years following

22 27 the year in which the assessment was paid. If an insurer

22 28 ceases doing business, all uncredited assessments may be

22 29 credited against its premium tax liability for the year it

22 30 ceases doing business.

22 31 Sec. 48. Section 514E.4, Code 2003, is amended by striking

22 32 the section and inserting in lieu thereof the following:

22 33 514E.4 ASSOCIATION POLICY == COVERAGE AND BENEFIT

22 34 REQUIREMENTS == DEDUCTIBLES == COINSURANCE.

22 35 The association policy shall pay for medically necessary

23 1 eligible health care services as established in the benefit

23 2 plans adopted by the association's board of directors and

23 3 approved by the commissioner. The plans shall provide

23 4 benefits, deductibles, and coinsurance that reflect the

23 5 current state of the individual insurance market. The board

23 6 may modify the benefits provided under the plans to reflect
23 7 the current state of the individual insurance market with the
23 8 approval of the commissioner.

23 9 Sec. 49. Section 514E.7, subsection 1, Code 2003, is
23 10 amended by adding the following new unnumbered paragraph:
23 11 NEW UNNUMBERED PARAGRAPH. The association shall rescind
23 12 coverage for an individual who no longer resides in the state.

23 13 Sec. 50. Section 514E.7, subsection 4, paragraph b, Code
23 14 2003, is amended by adding the following new subparagraph:
23 15 NEW SUBPARAGRAPH. (4) In the case of an individual
23 16 transferring to an association policy from a basic or standard
23 17 health benefit plan under chapter 513C beginning on or after
23 18 January 1, 2005.

23 19 Sec. 51. Section 514E.7, subsection 5, Code 2003, is
23 20 amended by adding the following new paragraph:
23 21 NEW PARAGRAPH. f. The individual is eligible for Medicare
23 22 based upon age.

23 23 Sec. 52. Section 514E.8, subsection 1, Code 2003, is
23 24 amended to read as follows:

23 25 1. An association policy shall contain provisions under
23 26 which the association is obligated to renew the contract until
23 27 the day on which the individual ~~in whose name the contract is~~
~~23 28 issued first becomes eligible for Medicare coverage, except~~
~~23 29 that in a family policy covering both husband and wife, the~~
~~23 30 age of the younger spouse shall be used as the basis for~~
~~23 31 meeting the durational requirements of this subsection.~~
~~23 32 However, when the individual in whose name the contract is~~
~~23 33 issued becomes eligible for Medicare coverage, the person~~
~~23 34 shall be eligible for the Medicare supplement plan offered by~~
~~23 35 the association based on age.~~

24 1 Sec. 53. Section 514E.11, Code 2003, is amended to read as
24 2 follows:

24 3 514E.11 NOTICE OF ASSOCIATION POLICY.

24 4 Every carrier, including a health maintenance organization
24 5 subject to chapter 514B and an organized delivery system,
24 6 authorized to provide health care insurance or coverage for
24 7 health care services in Iowa, shall provide a notice of the
24 8 availability of coverage by the association to any person who
24 9 receives a rejection of coverage for health insurance or
24 10 health care services, ~~or a notice to any person who is~~
~~24 11 informed that a rate for health insurance or coverage for~~
~~24 12 health care services will exceed the rate of an association~~
~~24 13 policy, and that the person is eligible to apply for health~~
24 14 insurance provided by the association. Application for the
24 15 health insurance shall be on forms prescribed by the
24 16 association's board of directors and made available to the
24 17 carriers and organized delivery systems and other entities
24 18 providing health care insurance or coverage for health care
24 19 services regulated by the commissioner.

24 20 Sec. 54. Section 515.35, subsection 3, paragraph a,
24 21 subparagraph (2), Code Supplement 2003, is amended by striking
24 22 the subparagraph and inserting in lieu thereof the following:

24 23 (2) A company may loan securities held by it to a broker=
24 24 dealer registered under the Securities Exchange Act of 1934, a
24 25 national bank, or a state bank, foreign bank, or trust company
24 26 that is a member of the United States federal reserve system,
24 27 and the loaned securities shall continue to be allowable
24 28 investments of the company.

24 29 (a) The loan shall be fully collateralized by cash, cash
24 30 equivalents, or obligations issued or guaranteed by the United
24 31 States or an agency or instrumentality of the United States.
24 32 The company shall take delivery of the collateral either
24 33 directly or through an authorized custodian.

24 34 (b) If the loan is collateralized by cash or cash
24 35 equivalents, the cash or cash equivalent collateral may be
25 1 reinvested by the company in either individual securities
25 2 which are allowable investments of the company or in
25 3 repurchase agreements fully collateralized by such securities
25 4 if the company takes delivery of the collateral either
25 5 directly or through an authorized custodian or a pooled fund
25 6 comprised of individual securities which are allowable
25 7 investments of the company. If such reinvestment is made in
25 8 individual securities or in repurchase agreements, the
25 9 individual securities or the securities which collateralize
25 10 the repurchase agreements shall mature in less than two
25 11 hundred seventy days. If such reinvestment is made in a
25 12 pooled fund, the average maturity of the securities comprising
25 13 such pooled fund must be less than two hundred seventy days.
25 14 Individual securities and securities comprising the pooled
25 15 fund shall be investment grade.

25 16 (c) The loan shall be evidenced by a written agreement

25 17 which provides all of the following:

25 18 (i) That the loan will be fully collateralized at all
25 19 times during the term of the loan, and that the collateral
25 20 will be adjusted as necessary each business day during the
25 21 term of the loan to maintain the required collateralization in
25 22 the event of market value changes in the loaned securities or
25 23 collateral.

25 24 (ii) If the loan is fully collateralized by cash or cash
25 25 equivalents, the cash or cash equivalent collateral may be
25 26 reinvested by the company as provided in subparagraph
25 27 subdivision (b).

25 28 (iii) That the loan may be terminated by the company at
25 29 any time, and that the borrower shall return the loaned stocks
25 30 and obligations or equivalent stocks or obligations within
25 31 five business days after termination.

25 32 (iv) That the company has the right to retain the
25 33 collateral or use the collateral to purchase investments
25 34 equivalent to the loaned securities if the borrower defaults
25 35 under the terms of the agreement, and that the borrower
26 1 remains liable for any losses and expenses incurred by the
26 2 company due to default that are not covered by the collateral.

26 3 (d) Securities loaned pursuant to this subparagraph (2)
26 4 are not eligible for investment of the company in excess of
26 5 twenty percent of admitted assets.

26 6 Sec. 55. Section 515.35, subsection 4, paragraph a, Code
26 7 Supplement 2003, is amended by adding the following new
26 8 unnumbered paragraph:

26 9 NEW UNNUMBERED PARAGRAPH. Bonds or other evidences of
26 10 indebtedness issued, assumed, or guaranteed by the United
26 11 States of America, or by any agency or instrumentality of the
26 12 United States of America include investments in an open-end
26 13 management investment company registered with the federal
26 14 securities and exchange commission under the federal
26 15 Investment Company Act of 1940, 15 U.S.C. } 80(a) and operated
26 16 in accordance with 17 C.F.R. } 270.2a-7, the portfolio of
26 17 which is limited to the United States government obligations
26 18 described in this paragraph "a", and which are included in the
26 19 national association of insurance commissioners' securities
26 20 valuation office's United States direct obligation=full faith
26 21 and credit list.

26 22 Sec. 56. Section 515.35, subsection 4, paragraph i,
26 23 subparagraphs (3) and (4), Code Supplement 2003, are amended
26 24 to read as follows:

26 25 (3) A company may invest in the obligations of a foreign
26 26 government other than Canada or of a corporation incorporated
26 27 under the laws of a foreign government other than Canada. Any
26 28 such governmental obligation must be valid, legally authorized
26 29 and issued, and on the date of acquisition have predominantly
26 30 investment qualities and characteristics as provided by rule.
26 31 Any such corporate obligation must on the date of acquisition
26 32 have investment qualities and characteristics, and must not
26 33 have speculative elements which are predominant, as provided
26 34 by rule. A company shall not invest more than two percent of
26 35 its admitted assets in the obligations of a foreign government
27 1 other than Canada and the United Kingdom. Investments in
27 2 obligations of the United Kingdom are not eligible in excess
27 3 of four percent of admitted assets. A company shall not

27 4 invest more than two percent of its admitted assets in the
27 5 obligations of a corporation incorporated under the laws of a
27 6 foreign government other than a corporation incorporated under
27 7 the laws of Canada.

27 8 (4) A company shall not invest more than ~~ten~~ twenty
27 9 percent of its admitted assets in foreign investments pursuant
27 10 to this paragraph.

27 11 Sec. 57. Section 515.120, Code 2003, is amended to read as
27 12 follows:

27 13 515.120 VIOLATIONS.

27 14 ~~Any~~ It shall be unlawful for any officer, manager, or agent
27 15 of any insurance company or association who, with knowledge
27 16 that it is doing business in an unlawful manner, or is
27 17 insolvent, solicits to solicit or receive applications for
27 18 insurance with said the company or association, or receives
27 19 applications therefor, or does to do any other act or thing
27 20 towards toward procuring or receiving any new business for
27 21 such company or association, shall be guilty of a serious
27 22 misdemeanor.

27 23 Sec. 58. Section 515.121, Code 2003, is amended to read as
27 24 follows:

27 25 515.121 OFFICERS PUNISHED.

27 26 ~~Any~~ It shall be unlawful for any of the following to fail
27 27 to comply with or to violate any of the requirements of this

27 28 chapter:

27 29 1. The president, secretary, or other officer of any
27 30 company organized under the laws of this state, or any,
27 31 2. Any officer or person doing or attempting to do
27 32 business in this state for any insurance company organized
27 33 either within or without this state, failing to comply with
27 34 any of the requirements of this chapter, or violating any of
27 35 the provisions thereof, shall be guilty of a simple
28 1 misdemeanor.

28 2 Sec. 59. Section 515.140, Code 2003, is amended to read as
28 3 follows:

28 4 515.140 VIOLATIONS == STATUS OF POLICY.
28 5 Any It shall be unlawful for any insurance company, its
28 6 officers or agents, or either of them, violating to violate
28 7 any of the provisions of section 515.138, by issuing,
28 8 delivering, or offering to issue or deliver any policy of fire
28 9 insurance on property in this state other or different from
28 10 than the standard form, herein as provided for, shall be
28 11 guilty of a simple misdemeanor in statute, but any policy so
28 12 issued or delivered shall, nevertheless, be binding upon the
28 13 company issuing or delivering the same, and such policy. The
28 14 company shall, until the payment of such fine a penalty
28 15 assessed by order after hearing, be disqualified from doing
28 16 any insurance business in this state, but any policy so issued
28 17 or delivered shall, nevertheless, be binding upon the company
28 18 issuing or delivering the same.

28 19 Sec. 60. Section 515A.6, subsection 7, Code 2003, is
28 20 amended by striking the subsection.

28 21 Sec. 61. Section 518A.41, Code 2003, is amended to read as
28 22 follows:

28 23 518A.41 INSURANCE PRODUCERS TO BE LICENSED.
28 24 No A person or corporation shall not solicit any an
28 25 application for insurance for any association in this state
28 26 without having procured from the commissioner of insurance a
28 27 license authorizing the person or corporation to act as an
28 28 insurance producer. Violation of this provision shall
28 29 constitute a serious misdemeanor.

28 30 Sec. 62. Section 520.14, Code 2003, is amended to read as
28 31 follows:

28 32 520.14 VIOLATIONS == EXCEPTIONS.
28 33 Any It shall be unlawful for an attorney who shall to
28 34 exchange any contracts of insurance of the kind and character
28 35 specified in this chapter, or any for an attorney or
29 1 representative of such the attorney, who shall to solicit or
29 2 negotiate any applications for the same without the attorney
29 3 having first complied with the foregoing provisions, shall be
29 4 deemed guilty of a simple misdemeanor. For the purpose of
29 5 organization and upon issuance of permit by the commissioner
29 6 of insurance, powers of attorney and applications for such
29 7 contracts may be solicited without compliance with the
29 8 provisions of this chapter, but no an attorney, agent, or
29 9 other person shall not make any such contracts of indemnity
29 10 until all of the provisions of this chapter shall have been
29 11 complied with.

29 12 Sec. 63. Section 522B.11, subsection 1, paragraph b, Code
29 13 2003, is amended to read as follows:

29 14 b. Violating any state insurance laws, federal Act
29 15 relating to the business of insurance, or any order of any
29 16 court of competent jurisdiction, or violating any informal
29 17 settlement agreement, regulation, subpoena, or order of the
29 18 commissioner or of a commissioner of another state.

29 19 Sec. 64. Section 522B.11, subsection 1, Code 2003, is
29 20 amended by adding the following new paragraph:

29 21 NEW PARAGRAPH. q. Is the subject of an order of the
29 22 securities administrator of this state or any other state,
29 23 province, district, or territory, denying, suspending,
29 24 revoking, or otherwise taking action against a registration as
29 25 a broker-dealer, agent, investment adviser, or investment
29 26 adviser representative.

29 27 Sec. 65. Section 522B.11, subsection 5, Code 2003, is
29 28 amended to read as follows:

29 29 5. The commissioner may conduct an investigation of any
29 30 suspected violation of this chapter pursuant to section 507B.6
29 31 and may enforce the provisions and impose any penalty or
29 32 remedy authorized by this chapter and chapter 507B against any
29 33 person who is under investigation for, or charged with, a
29 34 violation of either chapter even if the person's license has
29 35 been surrendered or has lapsed by operation of law.

30 1 Sec. 66. Section 522B.11, Code 2003, is amended by adding
30 2 the following new subsection:

30 3 NEW SUBSECTION. 6. a. In order to assure a free flow of

30 4 information for accomplishing the purposes of this section,
30 5 all complaint files, investigation files, other investigation
30 6 reports, and other investigative information in the possession
30 7 of the commissioner or the commissioner's employees or agents
30 8 that relates to licensee discipline are privileged and
30 9 confidential, and are not subject to discovery, subpoena, or
30 10 other means of legal compulsion for their release to a person
30 11 other than the licensee, and are not admissible in evidence in
30 12 a judicial or administrative proceeding other than the
30 13 proceeding involving licensee discipline. A final written
30 14 decision of the commissioner in a disciplinary proceeding is a
30 15 public record.

30 16 b. Investigative information in the possession of the
30 17 commissioner or the commissioner's employees or agents that
30 18 relates to licensee discipline may be disclosed, in the
30 19 commissioner's discretion, to appropriate licensing
30 20 authorities within this state, the appropriate licensing
30 21 authority in another state, the District of Columbia, or a
30 22 territory or country in which the licensee is licensed or has
30 23 applied for a license.

30 24 c. If the investigative information in the possession of
30 25 the commissioner or the commissioner's employees or agents
30 26 indicates a crime has been committed, the information shall be
30 27 reported to the proper law enforcement agency.

30 28 d. Pursuant to the provisions of section 17A.19,
30 29 subsection 6, upon an appeal by the licensee, the commissioner
30 30 shall transmit the entire record of the contested case to the
30 31 reviewing court.

30 32 e. Notwithstanding the provisions of section 17A.19,
30 33 subsection 6, if a waiver of privilege has been involuntary
30 34 and evidence has been received at a disciplinary hearing, the
30 35 court shall issue an order to withhold the identity of the
31 1 individual whose privilege was waived.

31 2 Sec. 67. NEW SECTION. 522B.16A DUTIES OF LICENSEES.

31 3 1. An insurance producer, as a condition of licensure, is
31 4 under a duty to submit to a physical or mental examination
31 5 when directed in writing by the commissioner for cause. All
31 6 objections shall be waived as to the admissibility of the
31 7 examining physician's testimony or reports on the grounds of
31 8 privileged communications. The medical testimony or report
31 9 shall not be used against the insurance producer in any
31 10 proceeding other than one relating to licensee discipline by
31 11 the commissioner. The commissioner, upon probable cause, may
31 12 order a physical or mental examination to be performed, and
31 13 upon refusal of the licensee to submit to the examination, the
31 14 commissioner may order that the allegations pursuant to which
31 15 the order of physical or mental examination was made shall be
31 16 taken to be established.

31 17 2. A licensee has a continuing duty to report to the
31 18 commissioner those acts or omissions found in section 522B.11,
31 19 subsection 1, when committed by another insurance producer.

31 20 3. Unless prohibited by court order or agreement of the
31 21 parties, an insurance producer shall have a continuing duty
31 22 and obligation, as a condition of licensure, to report to the
31 23 commissioner every adverse judgment in a professional or
31 24 occupational malpractice action to which the licensee is a
31 25 party, and every settlement of a claim against the licensee
31 26 alleging malpractice.

31 27 4. An insurance producer has a continuing duty and
31 28 obligation to keep at the insurance producer's place of
31 29 business the usual and customary records pertaining to
31 30 transactions undertaken by the insurance producer. Records
31 31 shall be maintained for a minimum of three years following the
31 32 completion of any insurance transaction.

31 33 5. An insurance producer who willfully fails to comply
31 34 with subsection 2, 3, or 4 commits a violation of this chapter
31 35 and is subject to sanction under section 522B.11.

32 1 Sec. 68. Section 523A.401, subsection 6, paragraph c, Code
32 2 2003, is amended to read as follows:

32 3 c. The insurance policy shall not ~~allow for contesting~~
32 4 ~~coverage, be contestable, or~~ limit death benefits in the case
32 5 of suicide, with respect to that portion of the face amount of
32 6 the policy that is required by paragraph "b". The policy
32 7 shall not refer to physical examination, or otherwise operate
32 8 as an exclusion, limitation, or condition other than requiring
32 9 submission of proof of death or surrender of policy at the
32 10 time the prepaid purchase agreement is funded, matures, or is
32 11 canceled, as the case may be.

32 12 Sec. 69. Section 523A.402, subsection 6, paragraph c, Code
32 13 2003, is amended to read as follows:

32 14 c. The annuity shall not ~~allow for contesting coverage, be~~

32 15 ~~contestable, or limit death benefits in the case of suicide,~~
32 16 ~~with respect to that portion of the face amount of the annuity~~
32 17 ~~which is required by paragraph "b". The annuity shall refer~~
32 18 to physical examination, or otherwise operate as an exclusion,
32 19 limitation, or condition other than requiring submission of
32 20 proof of death or surrender of the annuity at the time the
32 21 prepaid purchase agreement is funded, matures, or is canceled,
32 22 as the case may be.

32 23 Sec. 70. Section 523A.501, subsection 6, Code 2003, is
32 24 amended to read as follows:

32 25 6. If no denial order is in effect and no proceeding is
32 26 pending under section 523A.503, the application becomes
32 27 effective at noon of the thirtieth day after a completed
32 28 application or an amendment completing the application is
32 29 filed, unless waived by the applicant. The commissioner may
32 30 specify an earlier effective date. Automatic effectiveness
32 31 under this subsection shall not be deemed approval of the
32 32 application. If the commissioner does not grant the permit,
32 33 the commissioner shall notify the person in writing of the
32 34 reasons for the denial. ~~The permit shall disclose on its face~~
32 35 ~~the permit holder's employer or the establishment on whose~~
33 1 ~~behalf the applicant will be making or attempting to make~~
33 2 ~~sales, the permit number, and the expiration date.~~

33 3 Sec. 71. Section 523A.502, subsection 7, Code 2003, is
33 4 amended to read as follows:

33 5 7. A sales permit is not assignable or transferable. A
33 6 permit holder selling all or part of a business shall cancel
33 7 the ~~permit establishment's sales permits~~ and the purchaser
33 8 shall apply for ~~a new permit sales permits~~ in the purchaser's
33 9 name within thirty days of the sale.

33 10 Sec. 72. Section 523A.503, subsection 1, unnumbered
33 11 paragraph 1, Code 2003, is amended to read as follows:

33 12 The commissioner may, pursuant to chapter 17A, deny any
33 13 permit application, or immediately suspend, ~~or~~ revoke, ~~or~~
33 14 ~~otherwise impose disciplinary action related to any permit~~
33 15 issued under this chapter for several reasons, including but
33 16 not limited to:

33 17 Sec. 73. Section 523A.503, subsection 3, Code 2003, is
33 18 amended to read as follows:

33 19 3. Except as provided in subsection 2, a permit shall not
33 20 be revoked, ~~or~~ suspended, ~~or otherwise be the subject of~~
33 21 ~~disciplinary action~~ except after notice and hearing under
33 22 chapter 17A.

33 23 Sec. 74. Section 523A.503, Code 2003, is amended by adding
33 24 the following new subsection:

33 25 NEW SUBSECTION. 6. The commissioner may impose a civil
33 26 penalty in an amount not exceeding ten thousand dollars per
33 27 violation against any person violating this chapter. Each day
33 28 of a continuing violation constitutes a separate offense.

33 29 Sec. 75. Sections 506.7, 507B.11, 508.27, 511.18, 514.6,
33 30 514A.9, 514B.29, 515.132, 515.145, and 521.15, Code 2003, are
33 31 repealed.

33 32 Sec. 76. Sections 514E.5 and 514E.6, Code 2003, are
33 33 repealed.

33 34 Sec. 77. EFFECTIVE DATE. The sections of this Act
33 35 amending section 513C.7 and section 514E.2, subsection 13, and
34 1 repealing sections 514E.5 and 514E.6 take effect January 1,
34 2 2005.

34 3 EXPLANATION

34 4 This bill contains revisions throughout the various
34 5 chapters comprising the insurance code. The bill also
34 6 contains certain revisions to Code chapter 523A, pertaining to
34 7 cemetery and funeral merchandise and services.

34 8 The bill deletes references to Code chapters 507B and 522B,
34 9 regarding unfair trade practices in insurance and the
34 10 licensing of insurance producers, respectively, throughout
34 11 Code chapter 272C, which relates to continuing education and
34 12 regulation for certain professions and occupations.

34 13 The bill modifies terminology in Code section 432.5 to
34 14 refer to "producer" instead of "agent", and also to conform to
34 15 the current insurance premium tax rate provision in Code
34 16 chapter 432. Code section 507B.2 also makes a similar change
34 17 in terminology from "agents" and "brokers" to "producers".

34 18 The bill creates a new centralized civil penalty section in
34 19 Code section 505.7A, in conjunction with other changes
34 20 throughout the bill that eliminate or modify penalties in many
34 21 provisions throughout the insurance code. The new provision
34 22 is intended to apply to all prohibited acts in Title XIII,
34 23 subtitle 1, regarding insurance and related regulation, where
34 24 a penalty is imposed by order of the insurance commissioner
34 25 after hearing. Penalties shall not exceed \$1,000 for each

34 26 violation, or \$10,000 in the aggregate, unless the person knew
34 27 or reasonably should have known the behavior violated an Iowa
34 28 statute, in which case the penalty shall not exceed \$5,000 for
34 29 each violation, or \$50,000 in the aggregate in any one six=
34 30 month period. Code sections 507C.6, 509.18, 512A.8, 512B.35,
34 31 515.120, 515.121, 515.140, 518A.41, and 520.14 are updated in
34 32 form and language, as part of this consolidation of general
34 33 penalties in new Code section 505.7A.

34 34 Code sections 507.16, 511.16, and 515.120, relating to
34 35 unlawful solicitation of business for insolvent or unlawful
35 1 insurers, are also all updated in form and language, according
35 2 to the penalty provision now in Code section 505.7A, as
35 3 described above.

35 4 The bill makes a number of modifications to certain
35 5 terminology and terms used in the interstate insurance product
35 6 regulation compact in Code section 505A.1, enacted in 2003.
35 7 The change to article III, for example, now specifies that the
35 8 entity to be formed will be a joint public agency, and not
35 9 only a body corporate, but also a body politic and an
35 10 instrumentality of the compacting state. Modifications to
35 11 article V provide for more specific rights relating to
35 12 meetings of the commission, including advance notice, public
35 13 attendance, and protection of proprietary information. A
35 14 specific procedure is mandated for closed meetings. Similar
35 15 types of specification are made through modifications to
35 16 articles VII, VIII, XI, XII, and XVI.

35 17 The bill adds a new unnumbered paragraph to Code section
35 18 507.14 to provide specifically that analysis notes, work
35 19 papers, or other documents related to the analysis of an
35 20 insurer are not public records under Code chapter 22, in
35 21 addition to the specified reports, notes, and work papers
35 22 already not considered public documents under Code chapter 22.

35 23 Code section 507A.10, relating to civil penalties and cease
35 24 and desist orders for unauthorized insurers, is expanded to
35 25 provide additional procedures relating to summary orders,
35 26 requests for contested case proceedings, contempt orders,
35 27 criminal penalties, and referral to criminal authorities.

35 28 Code section 507B.3 is amended to add a new paragraph to
35 29 allow the commissioner to provide information from an
35 30 investigation regarding insurance trade practices to a company
35 31 or producer that is the subject of the complaint or to the
35 32 consumer who filed the complaint without being deemed to have
35 33 waived confidentiality provisions.

35 34 New Code section 507B.5A, also in the chapter regarding
35 35 insurance trade practices, is added to allow the commissioner
36 1 to subpoena books, papers, and other records, without cost,
36 2 prior to commencing a contested case proceeding in order to
36 3 determine whether a contested case should be instituted.

36 4 Code section 507B.6 is amended to allow the service of
36 5 subpoenas, in addition to other documents currently listed, by
36 6 restricted certified mail. The language is also updated.

36 7 Similarly, new Code section 507B.6A is added to provide
36 8 procedures for the issuance of summary cease and desist
36 9 orders, requests for contested case proceedings, and contempt
36 10 orders in insurance trade practices cases.

36 11 Code section 507B.7, regarding cease and desist orders for
36 12 insurance trade practices, alters the penalty provisions
36 13 related to the cease and desist orders by removing the
36 14 connection of the violation to knowledge of violation of
36 15 certain statutory provisions before the imposition of a civil
36 16 penalty, and instead requiring only a general standard that
36 17 the person knew or reasonably should have known that the
36 18 conduct was in violation of Iowa law. In addition, the
36 19 commissioner is newly empowered to impose an additional
36 20 penalty when a person violates a cease and desist order, after
36 21 notice and hearing, and upon order.

36 22 The word "orders" is added to Code section 507C.11 to
36 23 specify that such documents, in addition to other records and
36 24 documents comprising the record of a proceeding, are
36 25 confidential.

36 26 Code sections 511.8 and 515.35 are amended to specify that
36 27 certain investments in open-end management investment
36 28 companies, the portfolio of which is limited to United States
36 29 government obligations, as further delineated in the
36 30 respective Code sections, meet the definition of certain bonds
36 31 specified under those Code sections.

36 32 Code sections 511.8 and 515.35 are also modified regarding
36 33 the allowable percentage insurance companies or associations
36 34 may invest in foreign government bonds. Code section 511.8 is
36 35 further modified regarding the amount that may be used for
37 1 hedging transactions, and a new subsection is added regarding

37 2 security loans. Code section 515.35 is further modified
37 3 regarding the loaning of securities by an insurance company.
37 4 Regarding program eligibility under the individual health
37 5 insurance market reforms chapter, the bill modifies Code
37 6 section 513C.3 by specifying that an association policy under
37 7 Code chapter 514E is not considered "qualifying existing
37 8 coverage" or "qualifying previous coverage".

37 9 Certain subsections of Code section 513C.7 regarding basic
37 10 and standard health plans are stricken effective January 1,
37 11 2005.

37 12 With regard to program administration, basic and standard
37 13 plan offerings are eliminated over time, which the bill
37 14 implements through the amendments to Code section 513C.4 and
37 15 repeals of Code sections 513E.5 and 513E.6, effective January
37 16 1, 2005.

37 17 The bill amends Code section 513C.8 to provide that the
37 18 board of directors of the Iowa comprehensive health insurance
37 19 association, instead of the commissioner, shall adopt forms
37 20 and levels of coverage of basic and standard individual health
37 21 benefit plans for the guaranteed individual market that are
37 22 substantially similar to the current state of the individual
37 23 market.

37 24 The bill amends Code section 513C.10, subsection 1,
37 25 paragraph "a", to provide that all insurers, as designated by
37 26 the board of directors of the Iowa comprehensive health
37 27 insurance association with the approval of the commissioner,
37 28 shall be included as members of the Iowa individual health
37 29 benefit reinsurance association.

37 30 The bill amends Code section 513C.10, subsection 4, to
37 31 provide that the Iowa individual health benefit reinsurance
37 32 association shall develop not only procedures but assessment
37 33 mechanisms to make assessments and distributions as required
37 34 to equalize individual carrier and organized delivery system
37 35 gains or losses.

38 1 The bill amends Code chapter 514E relating to the Iowa
38 2 comprehensive health insurance association (ICHA) and
38 3 specifically amends Code section 514E.7 to limit eligible
38 4 participants to residents, and, due to the sunset of basic and
38 5 standard plans beginning January 1, 2005, to allow new
38 6 participants in the ICHA plan to transfer from a basic and
38 7 standard plan without a limitation on preexisting conditions.
38 8 Code section 514E.11, regarding notification of potential
38 9 eligibility for ICHA, is also modified. The bill also
38 10 modifies Code section 514E.2 related to the federal Trade
38 11 Adjustment Act, Pub. L. No. 107-210, because the ICHA is the
38 12 mechanism designated by the governor pursuant to the trade
38 13 Act.

38 14 Code section 514E.4 is amended relating to the payment of
38 15 medically necessary health care services. The bill also
38 16 addresses the provision of benefits, deductibles, and
38 17 coinsurance reflective of current individual insurance market
38 18 conditions in that Code section. The ICHA board is authorized
38 19 to make benefit changes from time to time to remain current
38 20 with market conditions. Code sections 514E.5 and 514E.6,
38 21 containing lists of excluded expenses and benefit limitations,
38 22 are repealed effective January 1, 2005. Corresponding changes
38 23 are made to delete unused definitions from Code section
38 24 514E.1. Changes are also made to Code section 513C.8 to
38 25 remove an outdated reference to Code chapter 513B, and to Code
38 26 sections 514E.7 and 514E.8 to coordinate that Code language
38 27 with Medicare requirements.

38 28 Regarding rate structures, Code section 514E.2 is amended
38 29 to allow for adjustments in ICHA rates to reflect rating
38 30 characteristics in the marketplace and is amended to allow an
38 31 insurer to offset an assessment made under this chapter
38 32 against its premium tax liability pursuant to Code chapter
38 33 432. The amendment to Code section 514E.2, subsection 13,
38 34 allowing the offset, takes effect January 1, 2005.

38 35 The bill amends Code section 514E.2, regarding the Iowa
39 1 comprehensive health insurance association, to provide for the
39 2 coverage of individuals applying for coverage pursuant to the
39 3 federal Trade Adjustment Act of 2002.

39 4 Code section 522B.11, regarding insurance producer license
39 5 denial, nonrenewal, or revocation, is modified in several
39 6 respects. The provision regarding discipline or penalty for
39 7 violation of insurance laws is made more specific, by
39 8 reference to state insurance laws, federal Acts relating to
39 9 insurance, orders of courts of competent jurisdiction, and
39 10 informal settlement agreements. A new paragraph is added
39 11 relating to discipline or penalty relative to an order against
39 12 an individual as a broker-dealer, agent, investment adviser,

39 13 or investment adviser representative. A new reference is
39 14 added to the commissioner's power to investigate suspected
39 15 violations of Code chapter 522B pursuant to Code section
39 16 507B.6. Finally, a new provision is added to address the
39 17 status of investigative files as confidential, but final
39 18 written decisions of the commissioner as public records,
39 19 although the commissioner has the discretion to share
39 20 investigative information with other licensing authorities,
39 21 and evidence of a crime must be referred to law enforcement.

39 22 New Code section 522B.16A addresses duties of licensees,
39 23 including duty to submit to physical or mental examination
39 24 when directed in writing by the commissioner for cause, duty
39 25 to report certain acts or omissions by another producer, duty
39 26 to report adverse judgments in professional malpractice
39 27 actions and settlements, and a duty to keep certain records
39 28 for at least three years.

39 29 The bill modifies Code sections 523A.401 and 523A.402 in
39 30 the cemetery and funeral merchandise and services chapter,
39 31 relating to contestability clauses and death benefit
39 32 limitations in certain policies and annuities.

39 33 The bill also makes several changes to establishment and
39 34 sales permits for cemetery and funeral merchandise and
39 35 services. The bill deletes the requirement in Code section
40 1 523A.501 that a permit disclose on its face the permit
40 2 holder's employer or establishment, the permit number, and
40 3 expiration date. Code section 523A.502 is modified to refer
40 4 to the establishment's sales permits. Several changes are
40 5 made to Code section 523A.503 to refer to disciplinary action
40 6 which may be imposed in relation to a permit, as well as a
40 7 civil penalty not to exceed \$10,000 for violations of the Code
40 8 chapter.

40 9 The bill repeals Code sections 506.7 (general penalty
40 10 provision), 507B.11 (penalty for violation of cease and desist
40 11 order), 508.27 (penalty provision related to Code section
40 12 508.25, relating to use of form for which prior approval has
40 13 not been obtained), 511.18 (fraud in procuring insurance),
40 14 514.6 (rate approval for nonprofit health service
40 15 corporations), 514A.9 (general penalty provision), 514B.29
40 16 (general penalty provision), 514E.5 and 514E.6 (lists of
40 17 excluded expenses and benefit limitations), 515.132 (general
40 18 penalty provision), 515.145 (penalty provision for violation
40 19 of Code section 515.142, relating to operation of fire
40 20 insurance companies), and 521.15 (general penalty provision).
40 21 These repeals are made in conjunction with the consolidation
40 22 of general penalties and the new general penalty provision in
40 23 Code section 505.7A.

40 24 The repeals of Code sections 514E.5 and 514E.6 take effect
40 25 January 1, 2005.

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